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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001464

SIPDIS

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TAGS: CH PGOV PREL TW
SUBJECT: LOOKING TO BOUNCE BACK, DPP DE-EMPHASIZES
INDEPENDENCE, PUSHES NEW DOMESTIC POLICIES

REF: A. TAIPEI 1431
1B. TAIPEI 1419

Classified By: The Director for reasons: 1.4 (b/d)

11. (C) Summary. Since the start of 2008, Taiwan's Democratic Progressive Party (DPP) has been humiliated in legislative and presidential elections and wracked by a scandal that threatens to end in money laundering charges against its former party leader and two-term President. Although reeling, the DPP has embarked on a project to reinvent itself and restore its status as a legitimate challenger to the ruling KMT party. Led by Chair Tsai Ing-wen, a politician better known for technical competency than flights of rhetoric, the party hopes to do so through a combination of practical policymaking and local politicking. On cross-Strait issues, Tsai has moved the DPP from its historical focus on independence, which many believe contributed to the party's loss in the March presidential elections, to one premised on the DPP's ability to better protect Taiwan's de facto sovereignty. The DPP has been helped by Ma administration missteps. The first electoral test of the new DPP is next year's local elections, giving the party plenty of time to hone its strategy. If the DPP is unable to regroup, the absence of a credible opposition party is likely to weaken constraints on the ruling KMT party as well as reduce its leverage against PRC pressures. End Summary.

12. (C) 2008 has not been a good year for Taiwan's Democratic Progressive Party (DPP). Its candidates were thumped in January legislative elections, with a new single-member district system giving the KMT three times as many seats in the Legislative Yuan. In March, the DPP candidate to succeed two-term President and DPP party elder Chen Shui-bian was similarly drubbed by KMT candidate Ma Ying-jeou. These electoral woes have been compounded by a mounting scandal surrounding allegations that Chen shipped tens of millions of dollars to overseas accounts. While it is not clear whether these funds were political contributions, as Chen claims, or came from public coffers (which would put the ex-President in serious legal jeopardy), the case has shattered the image of the DPP as the &clean8 alternative to the KMT.

13. (C) Charged with heading the effort to restore the fortunes of the DPP is Tsai Ing-wen, a Cornell-trained lawyer whose studious persona is a far cry from the barricade-storming reputation of the party's founders. As

she pursues her goal, she must walk a tightrope between the need to introduce youth and a platform acceptable to a broad spectrum of Taiwan's electorate without alienating the DPP old guard. In the short run, the troubles of the Ma Ying-jeou administration have made her task easier.

The &New8 DPP: Sovereignty Trumps Independence

¶4. (C) The DPP's first challenge is to identify policies that will bolster its standing among Taiwan's general public.

In particular, DPP International Affairs Director Lin Chen-wei and Soochow University Professor Lo Chih-cheng told poloffs in late September meetings, the DPP needs to demonstrate it is a better alternative than the KMT.

Although the Ma administration had public opinion problems (ref A), Lo maintained, DPP Chair Tsai could not afford to sit back. Underlying voting patterns meant that, unless the DPP can change Taiwan's political demographics, it must accept being, in effect, Taiwan's permanent opposition party.

¶5. (C) In a September 26 policy briefing for diplomats, Tsai laid out the party's three stages of development. The first two stages) outlining a pro-democracy agenda and painting the DPP as better equipped to defend Taiwan's sovereignty in cross-Strait talks) were well under way, she said.

Professor Lo pointed out to poloffs the party's ability to adapt its cross-Strait approach to current conditions, noting that sentiments within the DPP were shifting toward a goal of preventing unification rather than pressing for independence.

Even among "deep greens," there was an emerging consensus

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against the pursuit of independence as a priority. Lo mentioned ways to institutionalize DPP positions in this area, including requiring referenda on major cross-strait agreements. This would help ensure stability, protect the status quo and guarantee that any changes enjoyed the support of the Taiwan public.

Policy Must Look Beyond China

¶6. (C) Acknowledging the need to define the DPP in areas other than cross-Strait ties, Tsai said the party was "about ready" to focus on policy and economic issues, the party's third developmental stage. She identified these goals as creating a service and industrial based economy, reforming the welfare system, investing in science and technology, developing a "meaningful" defense capability (one that would give Taiwan confidence when entering into negotiations) and addressing social tensions.

¶7. (C) Both Lo and Lin pointed out hurdles the DPP faces as it seeks to stake out a policy agenda of its own. Most notably, Lo said, was the need to find issues it can spearhead without significant legislative clout. Giving tax rebates to those in the lower income bracket, for example, would boost spending and help the economy. DPP loyalist Lin expressed little doubt that his party could develop constructive policies, but suggested it would be difficult to prevent the KMT from taking credit for DPP-initiated policies. He maintained former President Lee Teng-hui's pursuit of Taiwan's return to the UN was originally a DPP goal. Lin also claimed policies Ma currently is implementing have Chen administration roots.

Target: Next Year's Elections

¶8. (C) In addition to developing new policies and retooling cross-Strait strategy, the DPP is taking structural changes to improve its chances in 2009 local-level elections. By eliminating primaries and implementing a new nomination process, Tsai explained, the DPP hopes to avoid the internal friction caused by its old, highly competitive primary

system. Instead of relying on primaries, the DPP Central Standing Committee will in the next few months simply identify candidates for the various races. Although candidates have yet to be named, DPP Department of Social Development's Cheng I-Lee and DPP Chairman of Yilan County Lin Chin-tsai told poloffs that the DPP has a good shot at winning seats in Taipei county, Yilan county, Chiayi city, and perhaps Nantou.

Comment

19. (C) The DPP appears to be learning from its past mistakes and retooling its strategy, but success is far from assured. Many DPP supporters (including the party's most fervent base) see Tsai as elitist and out of step with the party's core constituency. Many of them are also reluctant to diminish the DPP's fundamental goal of independence that distinguishes them from the KMT. Former President Chen himself argues that the inability of DPP candidate Frank Hsieh to mobilize the hard-core independence supporters led to his defeat in March. Mollifying these partisans while simultaneously crafting an image of a young, creative organization will be a balancing act. The stakes are high for Tsai and the DPP, but her success has implications for the KMT and Taiwan as well. The absence of a strong credible opposition weakens the constraints on the ruling KMT party. At the same time, ironically, this also weakens the KMT's position in its bargaining with the PRC for greater international space. Unless Beijing sees a possible DPP return to power, it has little incentive to give very much to the KMT on sovereignty-related questions. End comment.

RWANG